

## R22

### Recession-proof hosting

**#Results** We expect PLN 30.5m in adjusted EBITDA. We estimate that the Hosting segment will generate PLN 13.3m EBITDA (+11% y/y), CPaaS PLN 18.1m (+101% y/y). We assume PLN 0.3m SaaS EBITDA and PLN -1.2m unallocated EBITDA. We assume the EBITDA margin in the hosting segment will increase to 41% (+0.5% q/q) and the margin in CPaaS will be 22.5% (flat q/q) We expect the balance of financing activities to be PLN -9m. We assume an ETR of 20%. Results may be taken slightly positively

**#Outlook / Newsflow** R22 wants to focus on the development of MailerLite and cyber\_Folks in 2023. With the current balance sheet debt (DN skor. by market value minorities / EBITDA 4x), the company should not consider acquisitions this year. The priority will be to generate cash and build acquisition capacity again. As for cyber\_Folks, R22 announces the migration of all Romanian hosting brands by the end of 2023. This may herald a continuation of the ARPU growth trend, which is also supported by the current inflationary environment. At this point, the economic downturn does not seem to be affecting customer churn. The scaling of MailerLite acquisitions will also be a key aspect of growth. R22 estimates that at the moment MailerLite is acquiring up to 3,500 new customers per month at a higher price point. Moreover, MailerLite is growing at a rate of around 40%, with an EBITDA margin of around 25%. The target for the incentive programme at Vercom and cyber\_Folks is a combined EBITDA of PLN 165m in 2024 (estimate PLN 157m at Group level). In the context of the upcoming Profitroom buyback option (Q2/3 Q2024), the market may slowly start to play out the performance potential of the fastest-growing company in the portfolio (currently 33% owned), which, if the option is exercised, could be consolidated in 2024. Recent booking value and revenue growth of Profitroom has been very impressive (>50% y/y) and, in our view, we should not rule out both a share buyback scenario and a resale of this business to free up cash and acquisition potential in other areas.

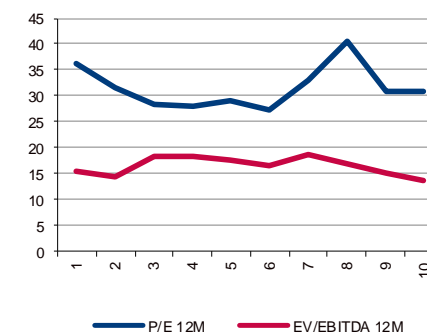
**# Model changes / recommendation** We are raising forecasts on EBITDA due to the expected improvement in profitability in all segments (leverage on ARPU on the hosting side / better MailerLite margin will increase CPaaS). Revenue forecasts without major changes. We reiterate our BUY recommendation with a target price to PLN 63.1/share. We believe the company is more attractively valued than Vercom.

mPLN	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23E	y/y	q/q
Sales	67	68	74	87	84	87	108	113	112	33%	-1%
EBITDA adj.	18	19	19	21	21	23	28	32	30	43%	-4%
EBIT	13	14	12	10	15	15	20	25	25	68%	0%
Net profit	7	8	7	3	8	4	3	9	8	0%	-4%
P/E 12M trailing	31,5	28,3	28,1	29,1	27,4	33,2	40,5	30,8	30,8		
EV/EBITDA 12M trailing	14,5	18,4	18,3	17,5	16,5	18,9	17,0	15,0	13,8		
sales growth y/y	36%	29%	49%	23%	25%	28%	47%	29%	33%		
EBITDA margin	26,3%	27,9%	26,2%	23,9%	25,4%	26,2%	25,7%	28,2%	27,3%		
EBIT margin	18,8%	20,1%	16,7%	11,2%	17,3%	17,3%	18,6%	21,8%	22,0%		
Net margin	10,3%	12,3%	9,5%	3,5%	10,1%	4,3%	2,8%	7,8%	7,6%		

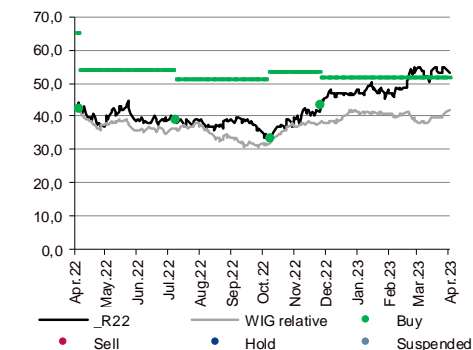
1Q19 report  
25.05.2023

Company data		Recommendation history	Date	Price
Ticker	_R22	Buy	13.12.2022	52
Sector	TMT	Buy	24.10.2022	53
Price (PLN)	52,2	Buy	25.07.2022	51
52w min/max (PLN)	32,75 / 49,6	Buy	22.04.2022	54
Shares (m)	14,2	Buy	09.12.2021	66
MC (PLNm)	740,2	Buy	20.07.2021	66
Free-float	-	Buy	28.05.2021	65
Avg. 3M turnover (PLNm)	0,4	Buy	26.04.2021	62
Price chng.	1M 4,8%	3M 39,8%	1Y 7,0%	

P/E 12M vs EV/EBITDA 12M



WIG vs. R22 chart



mPLN	2020	2021	2022	2023E	2024E	2025E
Sales	223	297	392	481	550	614
EBITDA	61	70	101	133	157	178
EBIT	45	49	74	100	120	138
Net profit	20	25	24	46	57	68
EPS (PLN)	1,45	1,8	1,7	3,2	4,1	4,8
DPS (PLN)	0,4	0,6	0,7	0,9	1,3	1,4
P/E (x)	36,0	28,9	30,7	16,1	12,9	10,9
EV/EBITDA (x)	21,4	18,3	14,8	10,7	8,7	7,1
P/BV (x)	10,8	4,0	3,4	2,9	2,5	2,2
DY (%)	0,8%	1,1%	1,4%	1,8%	2,5%	2,7%

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#### Definitions

capitalisation – market price multiplied by the number of a company's shares  
free float (%) – a percentage of a company's shares held by shareholders with less than 5% shareholding reduced by treasury shares held by the company  
min/max 52 wks – minimum/maximum share price within the last 52 weeks  
average turnover – average volume of share trading within the last month

EBIT – operating profit  
EBITDA – operating profit increased by depreciation and amortisation  
adjusted profit – net profit adjusted for one-off items  
CF – cash flow  
capex – sum of investment expenditures on fixed assets  
OCF – cash generated through the operational activities of the company  
FCF – cash generated by the company after taking into account outflows to support operations and retained capital

ROA – rate of return on assets  
ROE – rate of return on equity  
NWC – net working capital  
Cash conversion cycle – period from the moment of expenditure of cash for the purchase of production factors until the moment of receipt of cash revenues from the sale of manufactured goods or services.

Gross profit margin – a ratio of gross profit to net revenue  
EBITDA margin – a ratio of sum of operating profit and depreciation/amortisation to net revenue  
EBIT margin – a ratio of operating profit to net revenue  
net margin – a ratio of net profit to net revenue

EPS – earnings per share  
DPS – dividends per share  
P/E – a ratio of market price to earnings per share  
P/BV – a ratio of market price to book value per share  
EV/EBITDA – a company's EV to EBITDA ratio  
EV – sum of a company's current capitalisation and net debt  
DY – dividend yield, dividend paid to share price ratio

RFR - risk-free rate  
WACC - weighted average cost of capital

#### Recommendations of the Brokerage House

BUY – we expect that the rate of return on an investment will be at least 10%  
NEUTRAL – we expect the price of an investment to be relatively stable, optionally it will increase no greater than 10%  
SELL – we expect that an investment will make a loss greater than 0%  
Recommendation prepared by: Grzegorz Kujawski, Maciej Marcinowski, David Sharma, Dominik Niszcz, Michał Kozak, Kacper Koproń, Katarzyna Kosiorek, Łukasz Rudnik, Piotr Rychlicki, Piotr Chodyra

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